

Message Text

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DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

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TO SECSTATE WASHDC PRIORITY 8337

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E.O. 11652: N/A

TAGS: ETRD, EAID, EEC, ACP

SUBJECT: EC/ACP CONVENTION OF LOME--MISSION COMMENTS

REFS: A) EC BRUSSELS 1129 B) EC BRUSSELS 952 AND PREVIOUS

C) USEC A-061

1. SUMMARY: SUPPLEMENTING PREVIOUS REPORTING ON THE SUBSTANCE OF THE EC/ACP AGREEMENT (REFTELS) THIS MESSAGE PROVIDES MISSION COMMENTS ON SOME KEY ASPECTS OF THE NEW ACCORD. SIGNATURE OF THE CONVENTION OF LOME ON FEBRUARY 28 WILL MARK AN IMPORTANT CHANGE IN THE EVOLUTION OF COMMUNITY RELATIONS WITH LDCA AND CONTAINS A NUMBER OF SIGNIFICANT ELEMENTS OF INTEREST TO THE UNITED STATES. ON THE TRADE SIDE, REVERSE PREFERENCES ARE NO LONGER REQUIRED. THE CONVENTION UNVEILS A FUNDAMENTALLY NEW APPROACH TO THE DC-LDC COM-MODITY ISSUE IN THE FORM OF THE STABILIZATION OF EXPORT EARNINGS SCHEME (STABEX). THE REMARKABLE DEGREE OF UNITY SHOWN BY THE ACP'S THROUGHOUT THE NEGOTIATIONS MAY HAVE FUTURE SIGNIFICANCE FOR US. LINGERING NEO-COLONIST OVERTONES

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IN THE PREVIOUS ARRANGEMENTS BETWEEN THE EC AND THIS GROUP

HAVE GIVEN WAY TO A RECOGNITION OF THE STRONGER BARGAINING POWER OF THE ACP'S AND TO A GREATER ROLE FOR THE ACP'S IN THE OPERATION OF THE EUROPEAN DEVELOPMENT FUND. END SUMMARY.

2. TRADE: PROBABLY THE SINGLE MOST IMPORTANT ELEMENT OF THE NEW EC/ACP CONVENTION OF INTEREST TO US IS THE ELIMINATION OF THE OLD YAOUNDE PRACTICE REQUIRING REVERSE PREFERENCES FOR EC PRODUCTS IN RETURN FOR PREFERENTIAL ACCESS TO COMMUNITY MARKETS. THUS, ALTHOUGH IMPORTS ORIGINATING IN THE ACP'S WILL ENJOY DUTY-FREE ACCESS TO THE EC, THE COMMUNITY WILL REQUIRE FROM THE ACP'S ONLY THAT ITS EXPORTS RECEIVE TREATMENT "NO LESS FAVORABLE THAN THE MOST-FAVORED NATION". WHILE THIS LEAVES OPEN THE POSSIBILITY THAT SOME ACP'S MAY VOLUNTEER REVERSE PREFERENCES, SUCH ACTION IS LIKELY TO BE DE MINIMUS IN SCOPE AND CONTRARY TO THE THRUST OF CURRENT ACP POLICY. IN SUM, IT APPEARS THAT THE ISSUE OF REVERSE PREFERENCES IS FINALLY BEHIND US, AT LEAST AS FAR AS THE ACP'S ARE CONCERNED.

3. FOR INDUSTRIAL PRODUCTS, THE NEW TRADE ARRANGEMENTS WILL NOT GIVE THE ACP'S SIGNIFICANTLY MORE IN THE WAY OF CONCESSIONS THAN THEY ALREADY HAVE UNDER THE EC'S SYSTEM OF GENERALIZED PREFERENCES. THE CONVENTION IS CONTRACTUAL, HOWEVER, PROVIDING TOTAL FREE ENTRY (SUBJECT TO A SAFEGUARD CLAUSE TO PREVENT MARKET DISRUPTION IN THE EC) ON A BINDING BASIS FOR FIVE YEARS. THERE ARE NO TEXTILE RESTRICTIONS, NO PRODUCT CEILINGS OR PER COUNTRY LIMITS AS WITH GSP.

4. FOR AGRICULTURAL PRODUCTS THE ACP'S WILL ENJOY TREATMENT AT LEAST AS GOOD AS UNDER THE YAOUNDE ARRANGEMENT AND IN SOME CASES BETTER (RICE, CORN, FRESH FRUITS AND VEGETABLES). ACCORDING TO COMMISSION SOURCES, VIRTUALLY 100 PERCENT OF ACP AGRICULTURAL EXPORTS (BASED ON PAST EXPORT PERFORMANCE) WILL ENTER THE COMMUNITY UNDER PREFERENTIAL TERMS. THE BULK OF THESE EXPORTS (ABOUT 84 PERCENT) WILL ENTER DUTY FREE OR AT REDUCED DUTIES. MOST OF THE REMAINING PRODUCTS CONSIST OF LEVY ITEMS (SUGAR, RICE, BEEF) FOR WHICH SPECIAL IMPORT TERMS WILL APPLY. ONE OF THE MORE NOTABLE NEW CONCESSIONS IS FOR CITRUS PRODUCTS. CITRUS LIMITED OFFICIAL USE

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JUICES AND FRESH GRAPEFRUIT WILL ENTER DUTY FREE, WITH THE SUGAR-ADDED LEVY WAIVED FOR GRAPEFRUIT JUICES. WE UNDERSTAND THAT ACP ORANGES WILL BENEFIT FROM THE SAME 80 PERCENT PREFERENTIAL REDUCTION OF THE CXT AS THE MAGHREB.

5. TO THE EXTENT WE ARE ABLE TO ASSESS THEM, THE SHORT-TERM IMPLICATIONS OF THE NEW TRADE REGIME FOR US TRADE WITH THE EC WOULD APPEAR TO BE MARGINAL FOR INDUSTRIAL GOODS,

WITH MORE IMPACT PERHAPS LIKELY IN AGRICULTURAL TRADE. THE ABILITY OF THE ACPS TO EXPORT COMPETITIVE INDUSTRIAL PRODUCTS TO THE EC IS CURRENTLY QUITE LIMITED AND DOES NOT POSE SERIOUS PROBLEMS AT PRESENT. AGRICULTURE MAY BE ANOTHER STORY, ALTHOUGH A NUMBER OF THE MORE IMPORTANT CONCESSIONS SUCH AS THOSE ON RICE, PINEAPPLE PRODUCTS AND TOBACCO (DUTY-FREE ENTRY) ESSENTIALLY CONTINUE PREFERENCES GRANTED UNDER THE YAOUNDE AND ARUSHA AGREEMENTS. THE CONCESSION FOR FRESH ORANGES APPEARS TO BE OF ONLY MARGINAL TRADE INTEREST SINCE ACP COUNTRIES ARE NOT CURRENTLY IMPORTANT ORANGE EXPORTERS. THEY MAY BE ABLE TO REAP SOME BENEFIT FROM THE EXEMPTION FROM THE 4 PERCENT DUTY ON GRAPEFRUIT. HOWEVER THIS PREFERENCE, AS WELL AS THOSE FOR OTHER CITRUS AND JUICES, WILL BE DILUTED BY PREFERENCES FOR MEDITERRANEAN SUPPLIERS. THE PREFERENCES FOR JUICES MAY NOT SIGNIFICANTLY AFFECT US TRADE INTERESTS IN THE SHORT TERM, BUT COULD DO SO OVER THE LONGER TERM IF THE PREFERENTIAL ARRANGEMENTS ATTRACT FOREIGN INVESTMENT IN PROCESSING FACILITIES.

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6. STABEX: THE STABILIZATION OF EXPORT EARNINGS SCHEME HAS BEEN HERALDED AS A MAJOR INNOVATION IN THE EC'S

EVOLVING RELATIONS WITH THE LDCS, AND EC COMMISSIONER CHEYSSON SEES IT AS A MECHANISM DESTINED FOR WIDER APPLICATION, PERHAPS AS AN ELEMENT IN THE DC RESPONSE TO LDC CALLS FOR A "NEW INTERNATIONAL ECONOMIC ORDER". IN THE EC'S VIEW, IT REPRESENTS AN IMOPORTANT NEW APPROACH TO COMMODITY STABILIZATION WITH SOME ATTRACTIVE ELEMENTS FOR BOTH PRODUCER AND CONSUMER. ACP PRODUCERS ARE PROVIDED WITH SOME INSURANCE AGAINST THE DAMAGING EFFECTS OF DECLINES IN COMMODITY RELATED EARNINGS. RESOURCE-SHORT EUROPE, FOR ITS PART, HAS THE COMFORT OF KNOWING THAT ALTHOUGH THERE ARE NO FORMAL SUPPLY GUARANTEES, IT IS IN THE INTEREST OF THE ACP PRODUCERS, CETERIS PARIBUS, TO CONTINUE TO SUPPLY THE EC--THUS IN A SENSE "PAYING THEIR PREMIUMS" FOR THIS INSURANCE. IN ADDITION, THE EC COLLECTS POLITICAL POINTS FOR EMBARKING ON A NEW APPROACH TO DEALING WITH A MAJOR LDC CONCERN. FUNDING FOR THE STABEX SCHEME (75 MILLION UNITS OF ACCOUNT PER YEAR--APPROXIMATELY EQUIVALENT TO 90 MILLION DOLLARS) EFFECTIVELY LIMITS ITS IMPACT, HOWEVER, AS EC IMPORTS OF LIMITED OFFICIAL USE

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ACP COMMODITIES COVERED BY THE SCHEME AMOUNTED TO NEARLY 2 BILLION UNITS OF ACCOUNT IN 1973. NEVERTHELESS, IMPLEMENTATION OF THE SCHEME MAY HAVE IMPORTANT EFFECTS ON THE FUTURE STRUCTURE OF INTERNATIONAL COMMODITY TRADING, WITH IMPLICATIONS FOR US POLICY IN THIS AREA. THE COMMUNITY HAS MAINTAINED ALL ALONG THAT ITS STABEX PROPOSAL IS MERELY AN INITIAL SMALL SCALE EFFORT AT REDUCING THE DAMAGING CONSEQUENCES OF COMMODITY EARNINGS FLUCTUATIONS, AND CHEYSSON HAS SAID PUBLICLY THAT THE SCHEME SHOULD BE GIVEN WIDER APPLICATION. NO ONE DOUBTS HE HAS THE UNITED STATES IN MIND. AN EQUALLY IMPORTANT POLICY ISSUE FOR US COULD OF COURSE ARISE OVER TIME IF THE OPERATION OF THE SCHEME IN ITS PRESENT OR FUTURE FORMAT HAS AN ADVERSE COMPETITIVE IMPACT ON US EXPORTS TO THE EC.

7. ACP UNITY: A REMARKABLE FEATURE OF THESE 18 MONTHS OF NEGOTIATIONS HAS BEEN THE DEGREE OF SOLIDARITY THE ACPS HAVE SHOWN IN THEIR DEALING WITH THE EUROPEAN COMMUNITY. GEOGRAPHICALLY AND CULTURALLY DIVERSE, INCLUDING FORMER ANGLOPHONE AND FRANCOPHONE COLONIAL AREAS, THE ACP STATES HAVE ALLIED THEMSELVES AROUND A COMMON OBJECTIVE OF SECURING A LESS RIGID AND MORE PROFITABLE RELATIONSHIP WITH A LARGE INDUSTRIALIZED GROUP--THIS IN SPITE OF NOT ONLY GEOGRAPHIC DISPERSION BUT ALSO WIDELY VARYING ECONOMIC INTERESTS. THE SUGAR NEGOTIATIONS ARE A CASE IN POINT. THE ACP GROUP REMAINED INTACT DESPITE SOME VERY ROUGH SLEDDING AT THE END OF THE NEGOTIATIONS WHEN IT APPEARED THAT THE TOUGH POSITION OF THE ACP SUGAR PRODUCERS MIGHT BRING THE WHOLE EC-ACP DIALOGUE TO AN END. SIMILARLY, WITH THE STABEX AND THE EUROPEAN DEVELOPMENT FUND PORTIONS OF THE NEGOTIATIONS, THE ACPS WHPSSED THEY COULD STAY TOGETHER

AND COLLECTIVELY THEY MANAGED TO BRING OFF A NUMBER OF LAST MINUTE CONCESSIONS FOR SOME OF THEIR CONSTITUENT MEMBERS. INCREASING COHESIVENESS AMONG THE ACPs, AS MANIFESTED IN THESE NEGOTIATIONS COULD BE A SIGNIFICANT FACTOR FOR US TO TAKE INTO ACCOUNT IN FUTURE RELATIONSHIPS BETWEEN THE DEVELOPED AND DEVELOPING WORLD.

8. MATURING EC/LDC RELATIONS: IN ADDITION TO THE INDIVIDUAL SIGNIFICANCE OF THE ELEMENTS OUTLINED ABOVE, THE NEW CONVENTION TAKEN AS A WHOLE REPRESENTS AN IMPORTANT DEPARTURE FOR THE EC IN ITS RELATIONS WITH THE FORMER COLONIAL LIMITED OFFICIAL USE

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TERRITORIES. WITH THE END OF YAOUNDE-TUPE AGREEMENTS THE NEW CONVENTION INAUGURATES WHAT MANY PEOPLE HERE (BOTH EC AND ACP) FEEL WILL BE A DIFFERENT SORT OF RELATIONSHIP BASED ON A GREATER DEGREE OF MUTUAL RESPECT, FREE OF THE PREVIOUS COLONIAL OVERTONES. FOR THE EC THE CONVENTION REPRESENTS THE KEY ELEMENT IN ITS DEVELOPMENT AND COOPERATION PORTFOLIO, BUT ONE WHICH IS TO BE INCREASINGLY COORDINATED WITH THE COMMUNITY'S GSP PROGRAM, ITS EMERGING RAW MATERIALS POLICY, ITS OVERSEAS INVESTMENT POTENTIAL AND ITS CONCEPT OF THE DIRECTION IN WHICH EC-LDC RELATIONS MUST GO TO AVOID DAMAGING CONFRONTATION. A GOOD EXAMPLE IS THE CONVENTION'S INDUSTRIAL COOPERATION PROVISIONS WHICH WILL SUPPLEMENT THE MORE TRADITIONAL AID FUNCTION OF THE EUROPEAN DEVELOPMENT FUND BY PROMOTING ACP INDUSTRIAL DEVELOPMENT VIA INDUSTRIAL INFRASTRUCTIVE PROJECTS, JOINT VENTURES, MANPOWER TRAINING, TRANSFER OF TECHNOLOGY, INDUSTRIAL INFORMATION SERVICES AND TRADE COOPERATION. FINALLY, SIGNATURE OF THE NEW CONVENTION COMPLETES ONE OF THE CENTRAL ELEMENTS OF BRITISH RENEGOTIATION-BRINGING FORMER COMMONWEALTH LDCs INTO THE MAINSTREAM OF EC DEVELOPMENT POLICY WITHOUT SERIOUSLY PREJUDICING THE INTERESTS OF THE NON-ASSOCIATED COMMONWEALTH LDCs.

9. TEXT OF THE CONVENTION POUCHED TO THE DEPARTMENT VIA REF C. DEPARTMENT PLEASE REPEAT THIS MESSAGE TO ALL APPROPRIATE POSTS.
GREENWALDM

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